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IN THE

Supreme Court of the United States

October Term, 1973

No. 73-160

GAIL REEDER,

Petitioner,

vs.

H & J FOODS, INC.,

Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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GAIL REEDER, *Petitioner,*

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Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

Opinions Below

The opinion of the Court of Appeals is so far reported only at 177 United States Patents Quarterly 612 and appears at Appendix A hereto. The District Court's Opinion is reported only at 163 United States Patents Quarterly 325 and appears at Appendix B hereto.

Jurisdiction

The judgment of the Court of Appeals was dated April 25, 1973. This Court's jurisdiction is invoked under 28 U.S.C. Section 1254(1).

Questions Presented

1. Can the rights to a trademark be validly transferred apart from the business with which the mark has been associated?

2. When a trademark plaintiff invokes the unfair competition provision of the Lanham Act, does such Act preempt the California Unfair Competition Law?

Statutory Provisions

15 U.S.C. 1060 Assignment

"A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark, and in any such assignment it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. * * *"

15 U.S.C. 1127 Intent of Act

"The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against *unfair competition;* to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations (Amended Oct. 9, 1962, 76 Stat. 769)." (Emphasis added).

15 U.S.C. 1125(a) False Designations of Origin and False Descriptions Forbidden

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

California Civil Code Section 3369

"[Relief not granted to enforce penalty, forfeiture or penal law: Exceptions: Unfair competition enjoinable: Definitions: Who may prosecute actions.] * * *

2. Any person performing or proposing to perform an act of unfair competition within this State may be enjoined in any court of competent jurisdiction. * * *"

Statement of the Case

A. Summary of the Facts

In late 1961, James E. Rowe, dba Nutrifoods, of Los Angeles, adopted the trademark HUNZA and began selling health foods in California bearing such mark. Rowe's use of the HUNZA trademark continued until his relatively small business was purchased for $5,000 by a partnership of petitioner herein Gail Reeder and Brown J. Akin, Jr., in November, 1964. Akin was a food distributor in Tulsa, Oklahoma and a prior employer of petitioner. The Reeder-Akin partnership continued use of the HUNZA mark until petitioner purchased Akin's interest in the partnership for $25,000 in November, 1966. To the time of trial, petitioner and his predecessor partnership had spent about $5,500 in advertising the mark HUNZA, and petitioner's sales of health foods bearing HUNZA approximated $325,757.56.

When the partnership of petitioner and Akin purchased Rowe's business in 1964, the inventory included a quantity of HUNZA labels mistakenly marked ® by Rowe. Petitioner did not ask Rowe if he had registered HUNZA, and the partnership continued to use Rowe's labels. Petitioner continued to use up the labels bearing ® because he did not feel he could afford to junk such labels. By early 1969 petitioner's labels were printed from new art work and petitioner had the ® removed. Petitioner testified that he did not use ® to deceive anybody, and further that he was first aware that there was a federal trademark registration on HUNZA when the United States Marshal served him with the Summons and Complaint in this action.

United States Trademark Registration No. 644,085 HUNZA was registered by Floyd H. Hampson of Duvall, Washington, April 16, 1957 for "Vitamin-Mineral Food Supplement, Inculding Herbs and Grasses, In Powdered, Tablet and Tea Forms." A copy of this registration appears herein at Appendix C. Hampson's tea and food supplement was claimed to be made from unique grass grown on his HUNZA farm.

At the trial respondent produced no admissible evidence whatsoever that Hampson's food supplement and tea was being sold in health food stores subsequent to the date the Reeder-Akin partnership purchased Rowe's business. Petitioner last saw Hampson's HUNZA product in health food stores in 1963 and 1964. Akin testified that his company had purchased the HUNZA product from Hampson in 1957, but that it was unsalable and he kept it until it spoiled and was destroyed in 1963. Akin had not seen any of Hampson's product in the stores since 1959. The witness, James E. Rowe, testified that during the time he was in the health food business, he visited health food stores but could not ever recall seeing Hampson's HUNZA product. Joseph Eugene Lessin, Secretary-Treasurer of Kahan and Lessin Company of Los Angeles, a health food distributor since 1945, testified that his company bought a quantity of Hampson HUNZA product in approximately 1957, sold it for about a year and finally had to destroy the remainder. Lessin had not seen Hampson's product in a health food store for eight or ten years prior to trial. George A. Merriam, President and major stock holder of Landstrom Company of Daly City, California, a health food distributor, testified that his company purchased some of Hampson's product in approximately 1958, unsuccessfully tried to sell such product and

threw the inventory away in approximately 1968. Respondent produced only one witness who testified that his company still had Hampson merchandise in stock, namely, Samuel R. Reiser. Reiser, Secretary-Treasurer of Balanced Foods, North Bergen, New Jersey, testified that his company had purchased about $10,000 worth of Hampson merchandise and sold a thousand or two thousand dollars' worth the first year. Some of the merchandise came back and some of it was thrown out. Since the first sale in 1964, the sales amounted to a few hundred dollars a year. Reiser further testified that he would not reorder any Hampson goods, and further that he wished he had never seen Hampson's product.

Respondent H & J Foods, Inc., is a California corporation which was formed by Herman Jacobs and his brother, Jerry, August 23, 1968. Herman and Jerry Jacobs have each owned 50% of and are President and Vice President, respectively, of respondent. Just prior to the formation of respondent, Herman Jacobs on August 7, 1968, obtained from Floyd F. Hampson an Assignment of his United States Trademark Registration No. 644,085 HUNZA for $500. On September 18, 1968, Herman Jacobs assigned said trademark registration to respondent H & J Foods, Inc. as of November 12, 1968, the date the complaint was filed, respondent had sold less than $100 worth of health foods bearing the mark HUNZA, such goods having been sold only to Dave Winninger, a distributor of metal awnings, located in or around Miami, Florida. By the time of the trial of this case, respondent had sold only about $3,000 worth of HUNZA trademarked goods and had spent no money on advertising such goods.

Herman Jacobs contacted Floyd F. Hampson, the original owner of the federal trademark HUNZA in approximately July, 1968, after receiving the results of a trademark search which indicated Hampson to be the owner of such registration.

At the time Herman Jacobs ordered this trademark search, he knew full well that Reeder was using the HUNZA trademark for health foods and that prior to Reeder's use, Rowe had been using the trademark HUNZA for health foods.

Prior to purchasing the Hampson HUNZA trademark, and to forming H & J Foods in 1968, Herman Jacobs had sought to purchase petitioner's business from petitioner. Prior to that time, Jacobs' father, George Jacobs, had discussed buying petitioner's predecessor business from the Akin-Reeder partnership.

The only contact between Herman Jacobs and Floyd F. Hampson during the purchase of Hampson's trademark registration was by letter and telephone.

B. Course of Proceedings and Disposition in Courts Below

The original Complaint filed in this action November 12, 1968 by respondent herein, alleged petitioner herein infringed respondent's federally registered trademark HUNZA and competed unfairly with respondent by marketing various health food products under the mark HUNZA. An Answer was filed and discovery commenced. As a result of such discovery, respondent learned that petitioner had on some of his labels used an ® symbol and an Amended Complaint was filed April 18, 1969 adding a cause of action for unfair competition based upon petitioner's use of ®.

Jurisdiction of the District Court of the trademark infringement cause of action was based upon 15 U.S.C.

§§1051-1127. Jurisdiction of the federal unfair competition cause of action arising out of petitioner's use of HUNZA was based upon 28 U.S.C. §1338(b). Jurisdiction of the unfair competition cause of action arising out of petitioner's use of ® was based upon 15 U.S.C. §1051-1127, particularly §1125(a), 28 U.S.C. §1337, 1338(a) and 1338(b). It was only after the trial that the District Court changed the jurisdictional grounds for the unfair competition causes of action to the California Unfair Competition Laws, namely California Civil Code Section 3369.

At the request of the Trial Court, respondent lodged Finding of Fact, Conclusions of Law and a Judgment January 14, 1971. Despite petitioner's objections, the Trial Court adopted respondent's findings, conclusions and judgment *in toto.*

The Judgment awarded respondent damages of $26,519.07 plus interest to that date of $2,298.79. Such damages included petitioner's profits from his first use of HUNZA even though such use antedated the assignment of the HUNZA trademark to respondent by more than three years. Respondent was also awarded attorneys' fees of $14,040 as damages for unfair competition. Petitioner was required to pay the cost of the accounting which amounted to $4,600. Respondent was also awarded $1,090.45 for its normal court costs. Respondent was therefore awarded a total of $48,547 with interest continuing on such amount pending the judgment of the Ninth Circuit Court of Appeals.

The issues presented by Petitioner to the Ninth Circuit Court of Appeals for review included:

1. Whether the District Court erred in finding the trademark assignment to respondent to be valid where

the uncontroverted evidence established that the business connected with the HUNZA trademark was not assigned with the HUNZA registration.

2. Whether the District Court erred by failing to rule that once respondent invoked the unfair competition provisions of the Lanham Act, such Act preempted the California Unfair Competition Laws.

3. Whether the Trial Court erred in awarding respondent damages for petitioner's infringement occurring prior to the assignment of the HUNZA trademark to respondent.

The Ninth Circuit Court of Appeals:

1. Held that assignment of the HUNZA trademark was valid even though respondent did not purchase Hampson's business. This holding relied upon a 1971 decision of the Court of Custom and Patent Appeals, namely, *Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675. The *Sterling* decision eliminates the necessity of transferring a business together with the trademark in order to have a valid assignment.

2. Made no reference whatever to the issue as to whether or not the unfair competition provisions of the Lanham Act preempted the California Unfair Competition Laws.

3. Reversed that portion of the District Court's Judgment awarding respondent trademark infringement damages prior to the assignment of the HUNZA trademark to respondent, and ordered a reduction in such damages, in the amount of attorneys' fees awarded respondent and in the amount of accounting costs awarded respondent.

REASONS FOR GRANTING THE WRIT

1. The decision below holding a trademark assignment without a transfer of the business associated with the mark to be valid conflicts with the decisions of this Court, earlier decisions of the Ninth Circuit Court of Appeals and with the decisions of other Courts of Appeals.

2. To end the conflict between various Courts of Appeal and the Court of Custom and Patent Appeals regarding the requirements of a valid trademark assignment.

3. The question as to whether or not the Lanham Act preempts state unfair competition statutes is of major importance to the public.

Re the Trademark Assignment Questions

It was uncontroverted in this case that respondent's president Jacobs did not even attempt to buy Hampson's business associated with Hampson's HUNZA trademark. Thus, at the trial Jacobs testified as follows:

> "Q. Did you mention buying Hampson's business or his goodwill, if you can recall?
> "A. I discussed with him buying exactly what was transferred on the instrument of assignment.
> "Q. And that instrument refers to the trademark and the goodwill connected therewith?
> "A. Yes. I don't have it in front of me, but I believe it does.
> "Q. And there was no discussing about buying Hampson's business?
> "A. No."

That Jacobs did not buy Hampson's business was further established by the fact that he did not purchase

any of the important assets of Hampson's business. Thus, Jacobs admitted that he did not obtain, nor even request a customer list. Jacobs admitted he did not even request Hampson's inventory of "*raw materials and various other things that were necessary for the conduct of his business.*" Jacobs admitted that he did not receive from Hampson the instruction on "how to continue to make Hampson's products." All Jacobs received from Hampson were some labels and advertising material. None of this material was used by plaintiff in selling its goods.

Thus, Jacobs did not receive Hampson's business in conjunction with the assignment of Hampson's trademark registration. In fact, plaintiff's counsel admitted and *the trial court clearly understood this to be a fact,* as evidenced by the following trial testimony:

> "*Mr. Geriak:* Excuse me, your Honor. Yesterday the witness testified, in fact Mr. Utecht insisted that it was the fact, and *it is the fact, that the witness didn't buy the business.* This morning Mr. Utecht is attempting to build some kind of nonexisting accounting treatment into something that didn't happen.
>
> "*The Court: I do not recall the business to have been a part of the consideration* counsel.
>
> "*Mr. Utecht:* All right. If that is clearly understood then that is all we really need for the record." (Emphasis added).

Prior to its decision in this case, the Ninth Circuit Court of Appeals consistently agreed with this Court and with the other Circuit Courts that a trademark cannot be assigned in gross, but only in connection with the particular business in which it had been used. Typical of such Ninth Circuit decisions is *Mr. Donut*

of America Inc. v. Mr. Donut, Inc. et al., 418 F.2d 838 (December 4, 1969), wherein the Court not only concisely set forth this rule of law, but additionally, cited several authorities therefor, including this Court, as follows:

> "There was no pretense that the estate transferred any customer lists, merchandise, equipment, recipes, decals or other goods. Thusly he held that the assignor estate had no goodwill and therefore assigned none. The court concluded from this state of facts that the assignment was in gross and that the recording thereof was ineffective to grant any rights in the trademark and that as a matter of law the recording of the assignment was not constructive notice of the defendant. The District Court was correct in so holding. *The law is well settled that there are no rights in a trademark alone and that no rights can be transferred apart from the business with which the mark has been associated.* Such was the common law rule and is now made a part of the Lanham Act. 15 U.S.C., Sec. 1060; *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 97 (1918); *Dresser Industries, Inc. v. Heraeus Engelhard Vacuum, Inc.*, 395 F.2d 457, 464 (CA 3, 1967); *American Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619, 625 (CA 5, 1963); *Uncas Manufacturing Co. v. Clark & Coombs Co.*, 200 F.Supp. 831, 935 (DC, R.I., 1962), *affirmed* 309 F.2d 818; *Avon Shoe Co. v. David Crystal, Inc.*, 171 F.Supp. 293, 301 (DC, N.Y., 1959), *affirmed* 279 F.2d 706, *cert. denied* 364 U.S. 909; *E. Leitz, Inc. v. Watson*, 152 F.Supp. 631, 635 (DC 1957), *affirmed* 254 F.2d 777." (Emphasis added).

Petitioner submits that the above set forth law should still be the law of the land. The Ninth Circuit Court of Appeals, however, has now strayed from such law and its decision in this case would permit a trademark to be validly assigned without a transfer of the business connected with the trademark. Instead, the Ninth Circuit Court of Appeals now only requires that the trademark assignor give up the right to use the trademark, together with a "trifling amount of goodwill." Thus, the Ninth Circuit Court of Appeals in its decision from which petitioner seeks this Writ stated:

> "The claim that Reeder presses most vigorously is that the assignment was invalid because it was 'in gross,' and an assignment apart from the business with which the mark has been associated. See Mister Donut of America v. Mr. Donut, Inc., 418 F.2d 838 (9th Cir. 1969), and 15 U.S.C. §1060.
>
> While *Hampson did not transfer much except the trifling amount of goodwill along with his trademark,* the reason was that he had little else to transfer in the way of tangible assets related to 'Hunza.' The district court found that 'Herman Jacobs contacted Hampson and by assignment August 7, 1968, purchased from Hampson for $500 all right, title and interest in and to the trademark "Hunza," including the right to sue for past infringements, together with the goodwill of the business symbolized and appurtenant to the mark, Registration No. 644,085, and a quantity of "Hunza" labels, advertising news releases, and promotional materials.'
>
> Except as to past infringement, we believe the court's finding is supported by the evidence, and

> is therefore proper. *Hampson gave up the right to use the mark, 'Hunza,'* and Jacobs acquired all of Hampson's related tangible assets of any conceivable value. In this case, this was sufficient. Cf. Sterling Brewers, Inc. v. Schenley Industries, Inc., 441 F.2d 675 (C.C.P.A. 1971)." (Emphasis added).

Referring to the above-quoted portion of the decision of the Ninth Circuit Court of Appeals in this case, it will be apparent that such Court substituted for the long-existing requirement that the business be assigned with the mark in order to effect a valid transfer of the mark, the requirement that the trademark owner give up the right to use the mark, together with whatever goodwill he may have no matter how trifling. As authority for such departure from settled law, the Ninth Circuit Court of Appeals relied upon the Court of Custom and Patent Appeals case of *Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675 (1971). The *Sterling Brewers* case does indeed eliminate the requirement that a business be transferred with the trademark in order to effect a valid assignment of the trademark. The Court of Custom and Patent Appeals in *Sterling* relied upon an earlier decision by the same Court to the same effect, namely *Hy-Cross Hatchery, Inc. v. Osborne*, 303 F.2d 947 (1962). It will therefore be apparent that the Court of Custom and Patent Appeals is in direct conflict with the decisions of this Court, the earlier decisions of the Ninth Circuit Court of Appeals, and with the decisions of various other Courts of Appeals.

Typical of a latter decision is that of the Eighth Circuit Court of Appeals decided almost concurrently

with *Mr. Donut, i.e. PepsiCo, Inc. v. Grapette Co., Inc. et al.*, 416 F.2d 285 (December 30, 1969). In *PepsiCo*, it was held that where the assignee of a trademark did not receive from an assignor any "physical assets or plant, no inventory, customer list, formulas, etc.," the trademark assignment was in gross and thus invalid. The Eighth Circuit Court of Appeals cited an early (1879) decision by this Court as derivation for such rule, namely, *Kidd v. Johnson*, 100 U.S. 617.

Circuit Judge Blackmun in *PepsiCo* clearly affirmed the law that the Ninth Circuit Court of Appeals and the Court of Custom and Patent Appeals seeks to change as follows:

> "I prefer to stay with the usual rule, long established I thought, that a trademark may not validly be assigned in gross. And product difference is only an aspect of this traditional rule. A naked assignment is all that Fox and Grapette attempted and effected. It is not enough."

The conflicts between this Court, the Courts of Appeals and the Court of Custom and Patent Appeals clearly justify the grant of certiorari to review the judgment below.

Re the Preemption Question

This Court has made it clear that where the concurrent exercise of a power by the Federal Government and the States or by the States alone will necessarily result in conflicts, the federal statute shall preempt the State law. This doctrine is most recently expressed by this Court in the unreported case of *Goldstein v. California* (June 18, 1973). Other decisions to the

same effect are *Scott Paper Co. v. Marcalus Manufacturing Co., Inc.*, 326 U.S. 249 (1945); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) and *Lear Inc. v. Adkins*, 395 U.S. 653 (1969).

In this case a clear conflict exists with respect to the awarding of attorneys' fees in unfair competition cases. Thus, this Court ruled in *Maier v. Fleishmann*, 359 F.2d 156 (1967) that attorneys' fees cannot be awarded a successful plaintiff under the Lanham Act. The California Unfair Competition Laws, however, authorizes the award of attorneys' fees to a successful plaintiff in an unfair competition case. Authority for such an award is *Friend v. H. A. Friend & Co.*, 416 F.2d 256 (1969), Cert. denied 397 U.S. 914. Another Ninth Circuit case to the same effect is *National Van Lines v. Dean*, 237 F.2d 688 (1956).

Relying upon such authorities the District Court in this case did award respondent its attorneys' fees. Although petitioner raised the preemption issue on appeal, the Ninth Circuit Court of Appeals completely ignored such issue. The refusal of the Ninth Circuit Court of Appeals to rule on this issue amounted to error. The plaintiff in a trademark and unfair competition action should not be able to have his cake and eat it too. If such plaintiff seeks and accepts the benefits of the Lanham Act, as did the respondent in this case, he should not be additionally entitled to attorneys' fees under the State unfair competition laws. In view of the increasing number of trademark and unfair competition cases being filed, the question as to whether or not the Lanham Act preempts State unfair competition statutes is of major importance to the public and accordingly, justifies the grant of certiorari to review the judgment below.

Conclusion

For the above set forth reasons a Writ of Certiorari should issue to review the judgment and opinion of the Ninth Circuit Court of Appeals.

Respectfully submitted,

FRANCIS A. UTECHT,
Counsel for Petitioner.

July 20, 1973

APPENDIX A

Opinion of the United States Court of Appeals for the Ninth Circuit, 177 United States Patents Quarterly 612

United States Court of Appeals, for the Ninth Circuit.

H & J Foods, Inc., *Plaintiff-Appellee*, vs. Gail Reeder, dba Nutrifoods Co., *Defendant-Appellant*. No. 71-1669.

OPINION

[April 25, 1973].

Appeal from the United States District Court for the Central District of California.

Before: CHAMBERS, HAMLEY,[1] and GOODWIN, Circuit Judges.

CHAMBERS, Circuit Judge:

"Hunza" seems to be a word with some sales appeal when exploited in the rapidly growing health foods business.

A small operator, Floyd Hampson, who was using the name of Hunza for some of his products, registered the name as a trademark in the United States Patent Office in 1957.[2] It was registered for: "Vitamin-Mineral Food Supplement, including Herbs and Grasses, in Powdered, Tablet and Tea Forms." Hampson's early advertising, before the health food business generally burgeoned, is marvelous. According to his claims, the Hunzas were a healthy little tribe of agrarians in the

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[1]Circuit Judge Hamley has not participated in the within opinion, being temporarily disabled.

[2]United States Patent Office Trademark Registration No. 644,085.

high mountains of Asia where the soil is especially rich and unique. Hampson had found himself a similar Eden, a farm near Cherry Creek hard by the little town of Duvall, Washington. There mud on the farm had the texture of hand cream. There Hunza grass was grown, but not allowed to mature. Its tender shoots were cut with a field chopper. Then it was idyllically processed by flash dehydration. One might remain lost in the puffery, except the great product, never touched by human hands, came down to reality with the postscript notation: "Does not contain alfalfa."

Maybe Hampson was before his time (or maybe he just did not live in Southern California where one's odd dreams can often be richly exploited), but he did not do well financially with his "great" product. Eventually in 1968 he sold his dreams and the trademark to Herman Jacobs, one of the owners of H & J Foods, Inc., for $500.00. Jacobs turned it over to the company. Tangibly, in addition to the copyright, there came along a lot of Hampson's unused labels.

But somehow, someway, one Rowe, the predecessor of Reeder, the defendant, operating as Nutrifoods Co. in Southern California, became aware of the legend of Hunza and he started producing health foods, labelling them Hunza ®. The printer's bug ® is the historical symbol for a registered trademark. Neither Rowe nor Reeder ever attempted to register Hunza as a trademark. (H & J is also a Southern California food producer.)

Within a few months after the purchase, H & J had sued Reeder, seeking an injunction and an accounting of profits. The first count was for trademark infringement. The second was a pendent count for un-

fair competition. H & J Foods, Inc. received a judgment against Reeder of $26,519.07 plus interest and heavy costs, which included attorney fees of $14,040.00. The attorney fees are allowable under California's statutory law on unfair competition. Fleishmann Distilling Corp. v. Maier Brewing Company, 386 U.S. 714 (1967); Friend v. H. A. Friend & Co., 416 F.2d 526 (9th Cir. 1969).

On this appeal, the whole result is attacked. We affirm the granting of the injunction, but hold that the assignment carried no right to profits before the date of the assignment. Further, this result will necessarily require a heavy reduction in the attorney fees allowed. Also, some adjustment will have to be made in the amount assessed as the cost of the accounting.

Reeder does not challenge the validity of Hampson's registration of "Hunza." He does, however, challenge the assignment of the mark to Jacobs. Most of his objections are to the district court's findings of fact.

The claim that Reeder presses most vigorously is that the assignment was invalid because it was "in gross," and an assignment apart from the business with which the mark has been associated. See Mister Donut of America v. Mr. Donut, Inc., 418 F.2d 838 (9th Cir. 1969), and 15 U.S.C. §1060.

While Hampson did not transfer much except the trifling amount of goodwill along with his trademark, the reason was that he had little else to transfer in the way of tangible assets related to "Hunza." The district court found that "Herman Jacobs contacted Hampson and by assignment August 7, 1968, purchased from Hampson for $500 all right, title and interest in and to the trademark 'Hunza,' including the right to sue

for past infringements, together with the goodwill of the business symbolized and appurtenant to the mark, Registration No. 644,085, and a quantity of 'Hunza' labels, advertising news releases, and promotional materials."

Except as to past infringement, we believe the court's finding is supported by the evidence, and is therefore proper. Hampson gave up the right to use the mark, "Hunza," and Jacobs acquired all of Hampson's related tangible assets of any conceivable value. In this case, this was sufficient. Cf. Sterling Brewers, Inc. v. Schenley Industries, Inc., 441 F.2d 675 (C.C.P.A. 1971).

Reeder further contends that H & J has used the "Hunza" mark on products so dissimilar to the registration specifications that the mark is invalid. Although we might have found differently, the district court found substantial similarity, and we do not believe that finding is clearly erroneous.

On H & J's pendent claim arising under California's unfair competition law, the court found that the public was likely to be deceived by Reeder's use of the mark "Hunza," and the bug, ®. We express no opinion on the validity of the finding to the extent it involves use of ®. The finding of deception based on use of "Hunza" alone is sufficient, and it is supported by the evidence. See Payne v. United California Bank, 23 Cal.App.3d 850, 100 Cal.Rptr. 672 (1st Dist. 1972). A specific finding of "palming off" was not necessary.

Much of the award stems from damages for infringement by Reeder prior to the assignment from Hampson to Jacobs. Such pre-assignment damages are disfavored, and they are allowed only when the right to sue is

clearly spelled out in a valid assignment. George W. Luft Co., Inc. v. Zande Cosmetic Co., Inc., 142 F.2d 536 (2d Cir. 1944). Here, the only evidence of Hampson's intent to assign the right to sue for past infringement is the following statement of Herman Jacobs. "[Hampson] also gave a remark. He said, 'If you get the mark, you can sue that guy in Tulsa, Oklahoma, Akin [a former partner of Reeder], because he is using the mark illegally.' " We do not pass on the question whether this parol evidence was properly admitted. We do feel, however, this kind of testimony is insufficient to entitle H & J to pick up pre-assignment damages. The language, if admissible, is not express enough. This conclusion will have a heavy impact on the amount of damages, and as above indicated, the district court must reconsider on remand the amount of attorneys' fees and the amount of costs.

The district court was not clearly erroneous in its implicit rejection of Reeder's "clean hands" argument.

As an epilogue, we note that probably counsel would have served their clients just as well without over-ridiculing each other's briefs. The briefs, perchance, were written for their respective clients, not us.

The judgment is affirmed as to the granting of the injunction. Otherwise, the judgment is remanded for proceedings consistent with this opinion.

Each side will bear its own costs of the appeal.

APPENDIX B

Opinion of the United States District Court, C. D. California, 163 United States Patents Quarterly 325

District Court, C. D. California.

H & J Foods, Inc. v. Reeder, doing business as Nutrifoods Company et al. No. 68-1869-DWW. Decided Oct. 3, 1969.

TRADEMARKS

WILLIAMS, District Judge.

The Court having heard the testimony and examined the many exhibits in the above-entitled case and had the benefit of arguments of counsel and points and authorities now finds as follows:

That Floyd F. Hampson registered the trademark "Hunza" with the United States Patent Office under Registration Number 644,085 dated April 16, 1957 and thereafter and on or about April 15, 1963, filed his affidavit under Sections 8 and 15 of the Trademark Act of 1946 attesting continued use. While entitled to the rights of said mark under proper registration and on August 7, 1968, the said Hampson assigned the said mark and the goodwill of the business symbolized by the mark for a valuable consideration to Herman Jacobs who thereafter assigned said mark and goodwill to plaintiff H & J Foods, Inc., a corporation. That Registration No. 644,085 is unrevoked and uncancelled and is the property of the plaintiff. Thereafter plaintiff, a distributor of health foods, food supplements, vegetable oils and other products entered upon the use of said "Hunza" label on its products and placed said products in commerce.

From at least 1964 until the present date the defendant, Ryvers Gail Reeder dba Nutrifoods Company and Hunza Nutritional Foods Company and its predecessor partnership have distributed and sold in interstate commerce some of their goods with labels bearing the trademark "Hunza" and also the symbol ®. Defendant has never applied for any registration of the trademark "Hunza" and had no legal right to use the label by reason of a license or other permissive gesture from the owner of the mark to use same and has used said name "Hunza" with the symbol ® on his food products placed in commerce. That said acts have infringed upon the rights of plaintiff to said mark and were wilful and said infringement has caused and is likely to continue causing confusion, mistake and deception in the marketplace and should be restrained. Defendant's acts have further resulted in unfair competition to the plaintiff with some resulting damage to plaintiff.

It is therefore ordered that the defendant, its agents, employees, successors and assigns and all persons acting by or under it be permanently enjoined and restrained from:

1. Selling, offering for sale or advertising for sale food products, especially food supplements, vegetable oils, peanut butter, mayonnaise, margarine, tea or any similarly related product or any goods or services embraced by Registration Number 644,085 bearing the mark "Hunza" or any other colorable or deceptive imitation of plaintiff's registered trademark.

2. Using any other mark, trademark, trade name, or symbol or doing any other acts likely to induce the belief on the part of the public that defendant's products are plaintiff's products or that defendant is in any way connected with plaintiff or with plaintiff's products.

3. Using the word "Hunza" or any other term, symbol or mark similar thereto in defendant's trade name or in connection with any advertising, sales or offers for sales of his goods.

Defendant is further required to deliver up for destruction all crates, cartons, labels, signs, prints, packages, wrappers, receptacles, advertisements, plates, art work, and papers in his possession or under his control bearing the trademark or trade name or word "Hunza."

The parties to this action are further ordered to make every effort to settle among themselves any damages properly accruing to plaintiff from defendant prior to October 20, 1969 and to file an appropriate stipulation indicating such agreement or to appear in courtroom Number 16 on October 20, 1969 at 9:30 A.M. for the purpose of setting a day for further hearing on accounting and/or damages.

APPENDIX C

UNITED STATES PATENT OFFICE.

Registered Apr. 16, 1957. 644,085.

PRINCIPAL REGISTER

Trademark

Ser. No. 13,833, filed Aug. 13, 1956

HUNZA

Floyd F. Hampson, doing business as Glacial Mineral Products Co.

P. O. Box 52

Duvall, Wash.

For: VITAMIN-MINERAL FOOD SUPPLEMENT, INCLUDING HERBS AND GRASSES, IN POWDERED, TABLET, AND TEA FORMS, in CLASS 18.

First use July 16, 1956; in commerce July 16, 1956.

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H & J Foods, Inc. v. Reeder, ... F.2d ...., 177 U.S.P.Q. 612	1, 2, 3
PepsiCo., Inc. v. Grapette Co., 416 F.2d 285 (8 Cir. 1969)	2

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IN THE

Supreme Court of the United States

No. 73-160

GAIL REEDER, dba NUTRIFOODS CO.,

Petitioner,

vs.

H & J FOODS, INC.,

Respondent.

Respondent's Brief in Opposition to Petition for Writ of Certiorari.

ARGUMENT.

The petition here seeks review with regard to a narrow factual finding and with regard to an attorney fee award under State law. Neither issue involves a federal question, much less a federal question of such significance as to justify review in this Court.

The Fact Finding Question.

The Court of Appeal's decision in this case, *H & J Foods, Inc. v. Reeder,* .... F.2d ...., 177 U.S.P.Q. 612, 613, dealt with the nature of a valid transfer of trademark rights as follows:

> "While Hampson did not transfer much except the trifling amount of goodwill along with his trademark, the reason was that he had little else to transfer in the way of tangible assets relating to 'Hunza' . . . .

> "Hampson gave up the right to use the mark 'Hunza,' and Jacobs acquired all of Hampson's related tangible assets of any conceivable value. In *this case*, this was *sufficient*." (emphasis added).

Thus, contrary to the impression Petitioner tries to create, the courts below did not approve an assignment "in gross" or a "naked assignment". Rather there was careful observance of the requirement of 15 U.S.C. 1060 that the goodwill of the business be transferred together with the mark. Stated simply, Petitioner's contention is not, and cannot be, that no goodwill was transferred with the mark, but rather that *not enough* goodwill was transferred. The law does not place any quantitative minimum on the amount of goodwill to be transferred. Furthermore, examination of such a question would involve this Court in a narrow fact finding function in a matter already carefully considered by both lower courts and as to which both agreed. Rather, the uniform holdings below that all of the goodwill which existed was transferred with the mark together with all of the tangible assets of any value precludes any conflict between these holdings and *PepsiCo., Inc. v. Grapette Co.*, 416 F.2d 285 (8 Cir. 1969). The present case does not involve a "naked assignment" of the type referred to by then Judge Blackmun in his concurring opinion in *PepsiCo.*

The State Law Question.

The attorney fee award in the present case was based on independent and substantial State grounds. The Court of Appeals (.... F.2d ...., 177 U.S.P.Q. 612, 613) held:

> "The attorney fees are allowable under California's statutory law on unfair competition. Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714 (1967). . . ."

Contrary to Petitioner's mischaracterization (Petition p. 8), a State cause of action for unfair competition was pled under 28 U.S.C. 1338(b) and was proved. Both lower courts held Petitioner liable under the California law of unfair competition.

Thus, this case arises in the same context as *Friend v. H. A. Friend & Co.*, 416 F.2d 526 (9 Cir. 1969), in which this court denied certiorari at 397 U.S. 914.

Petitioner's argument for review of the fee award appears to be based on a pre-emption notion, but nothing is offered to satisfy the tests for pre-emption prescribed in *Cooley v. Board of Wardens*, 53 U.S. 299 (1851), more recently elucidated in *Goldstein v. California*, ... U.S. ...., 37 L.Ed.2d 163 (1973). Petitioner's unsupported thesis appears to be that the lack of provision for attorney fee awards in the Lanham Act somehow requires nullification of state legislative and decisional law providing for such fee awards in causes of action arising under state laws relating to unfair competition. This is not federal pre-emption. It is federal silence. And, according to this Court in *Fleischmann Distilling Corp. v. Maier Brewing Company* 386 U.S. 714, 717 (1967), such silence is not a pre-emptive silence.

Furthermore, the District Court found Petitioner's conduct willful [FF. 54, 55] and part of a larger pattern of "habitually, knowingly and without authorization" misappropriating the goodwill of others [F.F. 27]. Against this background, fees were awarded and the award affirmed "under California's statutory law on unfair competition" by the Court of Appeals, ... F.2d ...., 177 U.S.P.Q. at 613. In sum, there is no pre-emption and adequate independent State grounds for the fee award exist.

Conclusion.

No conflict between the decisions below and any decision of this Court or any other court exists. No other reason has been presented for granting a writ. Accordingly, the Petition should be denied.

Respectfully submitted,

JAMES W. GERIAK,
Attorney for Respondent.

Of Counsel:
LYON & LYON,
JAMES J. SHORT,